



Biweekly Narrative Seafood Report (No: 15-2001): Korea

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1. Korean Economy Update

KDI Pulls down Growth Projection to 2.2 Pct for 2001, 3.3 Pct for 2002

A state-run think tank yesterday sharply lowered its earlier growth projection for this year to 2.2 percent, as the Korean economy has been hit hard by the worsening global downturn.

In a quarterly economic outlook report, the Korea Development Institute (KDI) said it revised its July projection of 4 percent down to 2.2 percent due to plunging exports and curtailed industrial production. The KDI also predicted that the nation will record a relatively lower growth rate of 3.3 percent next year, as there is no sign of a quick economic recovery.

The downward revision was the third of its kind since the KDI cut its January growth projection of 5.1 percent to 4.3 percent in April. It again slashed the projected rate to 4 percent in July.

“Due to the rapidly slowing world economy, the Korean economy started to lose steam in the second quarter of the year,” said Kim Jun-il, chief of KDI's macroeconomic management division.

He pointed out that the nation's exports fell sharply as a result of tumbling semiconductor prices and the Sept. 11 terrorist attacks on the U.S. Kim called on the government to take flexible macroeconomic policy measures, including eased monetary and expanded fiscal policy, in a bid to stimulate the worsening economy. At the same time, he urged policymakers to speed up the restructuring of corporations and financial institutions and the strengthening of market discipline in order to build up growth potential next year. He expressed fears that the government might backtrack from its commitment to structural economic reforms during the local and presidential elections, which are scheduled for May and December next year, respectively.

The KDI predicted the growth rate will fall to 0.9 percent in the third quarter of 2001, adding that the rate is likely to edge up to 1.6 percent in the fourth quarter. The figure is in contrast with the growth rate of 3.7 percent in the first quarter and 2.7 percent in the second quarter.

According to the KDI report, Korea is expected to enjoy \$8.5 billion won in current account surplus at the end of the year, as exports are to increase 2 percent while imports are set to decline 3.6 percent. However, the estimated surplus is lower than the government's target of \$10 billion.

The KDI forecast that consumer prices will rise by 4.4 percent, raising worries that the government will be unable to meet its inflation target of less than 4 percent. It said the economy is likely to grow 2.4 percent in the first half of next year and 4.2 percent in the second half, bringing the annual growth rate to 3.3 percent. Exports are predicted to increase 4.7 percent in 2002, while imports are anticipated to climb 6.4 percent. Current account surplus, however, is expected to slide to \$2.8 billion.

The KDB predicted consumer prices will decline to 3 percent next year on the back of stabilized prices in crude oil and other raw materials in international markets. It called on the government to work out measures to minimize side effects of the planned deregulation of the top 30 business conglomerates. The research center also proposed that the administration speed up the privatization of state-owned banks in order to help the financial system work properly, in accordance with market disciplines.

(Source: October 26, 2001, the Korea Times, Seoul, Korea)

2. What's New in Korea

1) Russia promises 15,000 tons of Saury in 2002

The government received a promise from Russia, Tuesday that Korean fishing vessels will be allowed to catch 15,000 tons of saury in Russian waters next year, the same amount allocated for this year. Following Korea-Russia fisheries talks in Moscow, the Minister of Maritime Affairs and Fisheries Yoo Sam-nam said Moscow has agreed to give Seoul a fishing quota of at least 15,000 tons of saury in waters off the Southern Kuril Islands next year.

The disputed territory off Japan's Hokkaido is controlled by Russia but claimed by Japan and Tokyo is against Korea's operation, citing jurisdiction. Seeking an alternative fishing ground for Seoul has been a possible solution to the trilateral dispute, but that was not discussed Tuesday. Follow-up working-level meetings are slated to begin on November 22 for a week to examine specific details.

(Source: October 31, 2001, Arirang TV)

2) Fishing firms set up joint ventures with Russian firms

South Korean fishing companies have begun pollack fishing in the west Bering Sea following the establishment of joint ventures with Russian firms, the Ministry of Maritime Affairs and Fisheries said yesterday.

Daerim Corp. set up "Ecarma Sakhalin" with Ecarma of Russia while Keukdong Moolsan Co. formed a joint venture with another Russian fishing company.

Daerim Corp. has already returned with a 1,300-ton catch from the waters Oct. 14 and plans to catch 5,000 tons of pollack this year through the joint venture.

Under the deal, Daerim gives 5 percent of its net profits to the Russian partner.

Keukdong Moolsan started pollack fishing in the area Saturday and its catch will arrive in Korea in the coming months.

Tariffs on pollack being caught under joint venture deals will be reduced.

In a similar manner, Korean fishermen are likely to continue saury fishing in waters off the southern Kuril Islands despite an agreement between Tokyo and Moscow banning all other countries from fishing in the area from next year

(Source: October 24, 2001, the Korea Herald, Seoul, Korea)

3) Doubts about Economical Efficiency of Alternative Fishing Ground Proposed by Russia

Russia proposed that it would provide alternative fishing grounds to the South Korean fishing boats - if Russia makes the final agreement with Japan on the prohibition of fishing operation of the third countries in waters off of the Southern Kuril Islands. It was analyzed that the alternative fishing ground does not have economic efficiency.

Officials of the Ministry of Maritime Affairs and Fisheries (MMAF) said yesterday that "alternative fishing grounds proposed by Russia are known as waters off of the Northern Kuril Islands and nearby the Maritime Province of Siberia. However, the alternative fishing grounds lack economical efficiency since it is too far along with the less catch of the saury."

"In order to operate the fishing in waters off of the North Kuril Islands or Maritime Province of Siberia, the government should find out the economical efficiency through the testing operation," the official added.

According to the MMAF and the Korea Pelagic Fishery Association, the economical efficiency is low in waters off of the Northern Kuril Islands - compared with waters off of the Southern Kuril Islands (due to the long traveling distance of the fishing boats). The amount of the fishing operation is only 25 percent of the amount in waters off of the Southern Kuril Islands.

Park Duk-Bae, director of the fishery resources at the MMAF, said, "Although the Maritime Province of Siberia is known as an area where the saury is caught, it is

difficult to mention the economical efficiency since there is no record that any fishing boats, including South Korean fishing boats, that have actually worked in this fishery.”

Although the Russian government allotted quota that allows for the catch of 30,000 tons of the saury in waters of the Maritime Province of Siberia, it was reported that there was no precedent case in which neither foreign companies nor the Russian companies have ever bid.

The Korea Pelagic Fishery Association said that “it is impossible to fish waters off of the Northern Kuril Islands and the Maritime Province of Siberia. The government should negotiate by any means so that the South Korean fishing boats can operate in waters off of the Southern Islands and Sanriku. This is the only way to solve the problem now.”

(Source: October 15, 2001, the Dong-A Ilbo, Seoul, Korea)

3. Korea’s Wholesale Fisheries Market Update

1) Noryangjin Wholesale Fisheries Market (October 17- 23, 2001)

The prices of many species were unchanged or little less than the previous week due to poor buying disposition although squid and chub mackerel were supplied to the market in large quantities.

- Squid

Supply Volume - 36 tons per day, 6 tons down from the previous week

Price - W 8,000 per 6-kg- box for medium

- Chub Mackerel

Supply Volume - 40 tons per day

Price - W 12,000 per 12-fish- box for medium

- Hair Tail: W 34,000 per 3-kg-box

- Saury (frozen from deep sea fishing): W 400 per fish

- Live small flounder (dodari) for sashimi:

Price - W 19,000 per kg for medium (up W 2,000 from the previous week)

- Live small halibut (farmed) for sashimi:

Price – W 28,300 per kg for medium (up 6.8 % from the previous week)

b) Garak-Dong Wholesale Fisheries Market (October 16-22, 2001)

While the prices for shellfish and dried fish went down, fresh fish were traded at higher prices.

- Fresh mackerel (local):

Price - W 42,500 per 10-kg-box for medium, up W 10,000 from the previous week

- Frozen mackerel:

Price - W 35,000 per 10-kg-box for medium

- Fresh Oyster:

Price – W 4,000 – 5,000 per kg

(Source: October 29, 2001, the Korea Fisheries Times, Seoul, Korea)